

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Bateman Rebuttal Exhibit 1
Page 1 of 4

Line No.	Description	South Carolina Retail					
		Total Company Per Books (a) (Col. 1)	Per Books (Col. 2)	Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 5,125,685	\$ 562,188	\$ (1,452)	\$ 560,736	\$ 68,501	\$ 629,237
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,258,015	125,387	15,903	141,290		141,290
3	Purchased power	351,214	52,856	-	52,856		52,856
4	Other operation and maintenance expense	1,355,516	145,738	(1,667)	144,071		144,071
5	Depreciation and amortization	762,731	75,968	58,535	134,503		134,503
6	General taxes	153,535	20,970	1,896	22,866	303	23,169
7	Interest on customer deposits	9,367 (b)	654	-	654		654
8	Net income taxes	336,771	35,368	(33,032)	2,336	17,016	19,352
9	Amortization of investment tax credit	(3,380)	(338)	-	(338)		(338)
10	Total electric operating expenses	4,223,770	456,604	41,635	498,238	17,319	515,557
11	Operating income	\$ 901,915	\$ 105,584	\$ (43,087)	\$ 62,498	\$ 51,182	\$ 113,680
12	Add: customer growth			17	17	14	\$ 31
13	Net operating income for return	\$ 901,915	\$ 105,584	\$ (43,070)	\$ 62,515	\$ 51,196	\$ 113,711
14	Original cost rate base (e)	\$ 13,624,810	\$ 1,388,456	\$ 124,052 (d)	\$ 1,512,508		\$ 1,512,508
15	Rate of return on South Carolina retail rate base		7.60%		4.13%		7.52%

Note: Proposed Increase on line 1 does not include impact of EDIT Rider reduction of (\$9.9M) in Year 1

Notes: (a) Per Cost of Service
(b) Reclassifies interest on customer deposits to electric operating expense.
(c) From Page 3, Line 41.
(d) From Page 4, Line 10.
(e) From Page 2.

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Dec. 31, 2017 Amount (Col. 1)	Pro forma Ratio (Col. 2)	South Carolina Retail				
				Before Proposed Increase		After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Operating Income (Col. 8)
1	Long-term debt	\$ 7,257,297	47.00%	\$ 710,879	4.16%	\$ 29,540	\$ 710,879	\$ 29,540
2	Members' equity (a)	8,233,254	53.00%	801,629	4.11%	32,975	801,629	84,171
3	Total	<u>\$ 15,490,551</u>	<u>100.00%</u>	<u>\$ 1,512,508</u> (b)		<u>\$ 62,515</u> (c)	<u>\$ 1,512,508</u> (b)	<u>113,711</u>
4	Operating income before increase (Line 3, Column 5)							\$ 62,515
5	Customer growth (d)							(d) 14
6	Operating income before increase							<u>62,529</u>
7	Additional operating income required (Line 3 minus Line 6)							51,182
8	Gross receipts taxes, utility assessment and income taxes							<u>17,319</u>
9	Additional revenue requirement							<u>\$ 68,501</u>

Notes: (a) The equivalent of common equity for a limited liability company.
(b) From Page 4, Line 10, Column 4.
(c) From Page 1, Line 13, Column 4.
(d) From Page 1, Line 12, Column 5

Bateman
Rebuttal
Exhibit 1
Page 2

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
 DETAIL OF ACCOUNTING ADJUSTMENTS-SOUTH CAROLINA RETAIL
 FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
 (Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 24.9500% (Col. 7)	Amortization of ITC (Col. 8)
1	Annualize Retail revenues for current rates	\$ 590	\$ -	\$ -	\$ 1	\$ -	\$ 2	\$ 147	\$ -
2	Update fuel costs to approved rate and other fuel related adjustments	397	15,903	-	-	-	-	(3,869)	-
3	Adjust Other Revenue	68	-	-	0	-	0	17	-
4	OPEN								
5	Eliminate unbilled revenues	(2,508)	-	-	-	-	(8)	(624)	-
6	Adjust for costs recovered through non-fuel riders	-	-	-	(16,361)	(6,161)	(603)	5,770	-
7	OPEN								
8	Annualize Depreciation on year end plant balances	-	-	-	-	2,777	-	(693)	-
9	Annualize property taxes on year end plant balances	-	-	-	-	-	376	(94)	-
10	Adjust for new depreciation rates	-	-	-	-	9,386	-	(2,342)	-
11	Adjust for post test year additions to plant in service	-	-	-	-	5,323	1,063	(1,593)	-
12	Remove NCEMPA Acquisition Adjustment	-	-	-	-	(1,218)	-	304	-
13	Remove expiring amortization credits from test year	-	-	-	-	30,869	-	(7,702)	-
14	OPEN								
15	Adjust reserve for end of life nuclear costs	-	-	-	-	2,938	-	(733)	-
16	Adjust coal inventory	-	-	-	-	-	-	-	-
17	Adjust for previously deferred amounts - Harris COLA, GridSouth, Fukushima/Cybersecurity, 2014 Storms	-	-	-	-	3,186	-	(795)	-
18	Amortize deferred environmental costs	-	-	-	-	9,297	-	(2,320)	-
19	Amortize deferred cost balance related to SC AMI	-	-	-	-	535	-	(134)	-
20	Normalize for storm costs	-	-	-	830	-	-	(207)	-
21	Annualize O&M non-labor expenses	-	-	-	508	-	-	(127)	-

Bateman
 Rebuttal
 Exhibit 1
 Page 3

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
 DETAIL OF ACCOUNTING ADJUSTMENTS-SOUTH CAROLINA RETAIL
 FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
 (Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 24.9500% (Col. 7)	Amortization of ITC (Col. 8)
22	Normalize O&M labor expenses	-	-	-	3,370	-	199	(891)	-
23	Update benefits costs	-	-	-	2,939	-	-	(733)	-
24	Levelize nuclear refueling outage costs	-	-	-	4,256	-	-	(1,062)	-
25	Amortize rate case costs	-	-	-	770	-	-	(192)	-
26	Adjust aviation expenses	-	-	-	(249)	-	(2)	63	-
27	OPEN	-	-	-	-	-	-	-	-
28	Adjust for credit card fees	-	-	-	773	-	-	(193)	-
29	Adjust O&M for executive compensation	-	-	-	(304)	-	-	76	-
30	Adjust for Customer Connect additional expense and deferral	-	-	-	1,227	502	-	(431)	-
31	Adjust vegetation management expenses	-	-	-	(160)	-	-	40	-
32	Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(169)	-
33	Adjust 1/8 O&M for accounting and pro-forma adjustments	-	-	-	-	-	-	-	-
34	Adjust for Federal tax rate change	-	-	-	-	-	-	(13,871)	-
35	Adjust deferred cost balance related to SC Grid	-	-	-	-	1,101	-	(275)	-
36	Remove certain expenses	-	-	-	(97)	-	-	24	-
37	Adjust for Allocation of PUC License Tax Expense	-	-	-	-	-	869	(217)	-
38	Adjust for ongoing payment obligation	-	-	-	830	-	-	(207)	-
39	OPEN								
40	OPEN								
41	Total adjustments	<u>\$ (1,452)</u>	<u>\$ 15,903</u>	<u>\$ -</u>	<u>\$ (1,667)</u>	<u>\$ 58,535</u>	<u>\$ 1,896</u>	<u>\$ (33,032)</u>	<u>\$ -</u>

Notes: (a) Adjustments to rate base shown on pages 4-4d.

Bateman
 Rebuttal
 Exhibit 1
 Page 3 (cont.)

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	South Carolina Retail		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 26,183,538	\$ 2,691,450	\$ 110,391	\$ 2,801,841
2	Less: Accumulated depreciation and amortization	4b	(11,299,853)	(1,177,920)	(3,020)	(1,180,940)
3	Net electric plant		14,883,685	1,513,530	107,371	1,620,901
4	Add: Materials and supplies	4c	1,126,375	104,777	(2,251)	102,526
5	Working capital	4d	(418,232)	(11,373)	(3,036)	(14,409)
6	Plant held for future use		46,711	4,802		4,802
7	Less: Accumulated deferred taxes		(1,909,741)	(212,652)	21,969 (a)	(190,684)
8	Operating reserves		(103,988)	(10,627)	-	(10,627)
9	Construction work in progress		-	-	-	- (b)
10	Total		<u>\$ 13,624,810</u>	<u>\$ 1,388,456</u>	<u>\$ 124,052</u>	<u>\$ 1,512,508</u>

Notes: (a) Reflects adjustments of \$1,631 for removal of ADIT associated with removal of the SC DERP asset, \$10,062 associated with removal of DSM/EE and DSDR from rate base, (\$1,345) additional ADIT associated with new depreciation rates, \$733 related to end of life nuclear reserves, \$3,928 related to previously deferred amounts, (\$9,279) associated with deferred environmental costs, (\$267) related to amortization of deferred AML costs, (\$769) related to amortization of rate case costs, (\$251) related to amortization of deferred customer connect costs, \$17,800 related to the change in federal tax rate, and (\$275) related to the amortization of deferred grid costs.
(b) CWIP has been removed from rate base

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Total Company	South Carolina Retail		
		Per Books (Col. 1)	Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 15,837,016	\$ 1,515,298	\$ 97,758	\$ 1,613,056
2	Transmission Plant	2,601,062	242,011	17,453	259,465
3	Distribution Plant	6,236,202	774,976	23,058	798,034
4	General Plant	654,815	71,373	(27,023)	44,350
5	Intangible Plant	498,613	51,254	(856)	50,398
6	Subtotal	25,827,707 (a)	2,654,913	110,391	2,765,303
7	Nuclear Fuel (Net)	355,830	36,537	-	36,537
8	Total electric plant in service	\$ 26,183,538	\$ 2,691,450	\$ 110,391	\$ 2,801,841

Notes: (a) Excludes asset retirement obligations and certain capitalized leases

(b) Reflects reduction of (\$25,846) for DSDR plant recovered through a rider, \$169,635 for post test year plant additions, and (\$33,399) for removal of the NCEMPA plant acquisition adjustment.

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

No.	Description	Total Company	South Carolina Retail	
		Per Books (Col. 1)	Per Books (Col. 2)	As Adjusted (Col. 4)
			Accounting Adjustments (b)	
			(Col. 3)	
1	Production Reserve	\$ (6,964,031)	\$ (673,642)	\$ (15,413)
2	Transmission Reserve	(798,253)	(74,529)	(838)
3	Distribution Reserve	(3,005,978)	(373,555)	11,204
4	General Reserve	(249,802)	(27,228)	(1,090)
5	Intangible Reserve	(281,789)	(28,966)	3,116
6	Total	\$ (11,299,853)	\$ (1,177,920)	\$ (3,020)
7	The annual composite rates (calculated based on 2017 balances) for computing depreciation are shown below:			
		Plant/Other		
8	Steam production plant	3.80%		
9	Nuclear production plant	2.77%		
10	Hydro production plant	3.53%		
11	Combustion turbine production plant	3.38%		
12	Transmission plant	1.90%		
13	Distribution plant	2.44%		
14	General plant	4.25%		
15	Intangible plant	20.00%		

Notes: (a) Excludes asset retirement obligations

(b) Reflects \$8,827 for DSDR accumulated depreciation recovered through a rider, (\$2,777) for the impact of annualized depreciation, (\$6,691) related to new depreciation rates, (\$5,323) associated with post test year plant additions, and \$2,944 related to the removal of the NCEMPA plant acquisition adjustment.

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
MATERIALS AND SUPPLIES
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	South Carolina Retail		
		Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)	
	Fuel Stock:				
1	Coal	\$ 242,761	\$ 24,927	\$ (2,251) (a)	\$ 22,676
2	Oil	-	-		-
3	Total fuel stock	242,761	24,927	(2,251)	22,676
4	Other electric materials and supplies and stores clearing	883,613.65	79,849.67	-	79,850
5	Total Materials and Supplies	\$ 1,126,375	\$ 104,777	\$ (2,251)	\$ 102,526

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 40 days at full load.

DUKE ENERGY PROGRESS, LLC Docket No. 2018-318-E
WORKING CAPITAL INVESTMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Total Company	South Carolina Retail	
		Per Books (Col. 1)	Per Books (Col. 2)	As Accounting Adjustments (Col. 3) As Adjusted (Col. 4)
1	12 Months O&M (excluding purchased power & nuclear fuel)	<u>\$ 2,385,539</u>	<u>\$ 242,529</u>	<u>\$ 14,236 (a) \$ 256,765</u>
2	1/8 of O&M on Line 1	\$ 298,192	\$ 30,316	1,779 (b) 32,095
3	Less: average taxes accrued	<u>(3,472)</u>	<u>(353)</u>	- (353)
4	Subtotal: Investor funds for operations	<u>294,720</u>	<u>29,963</u>	<u>1,779 31,742</u>
5	Required bank balance			- -
6	Unamortized Debt	47,999	4,880	- 4,880
7	Prepayments	72,816	7,403	- 7,403
8	Customer Deposits	(129,255)	(19,816)	- (19,816)
9	Other	<u>(704,512)</u>	<u>(33,802)</u>	<u>(4,815) (c) (38,617)</u>
10	Subtotal: Other investor funds	<u>(712,952)</u>	<u>(41,336)</u>	<u>(4,815) (46,151)</u>
11	Total working capital investment	<u>\$ (418,232)</u>	<u>\$ (11,373)</u>	<u>\$ (3,036) \$ (14,409)</u>

Notes: (a) Page 3, Line 41, Columns 2, 3, and 4

(b) Reflects an increase in operating funds based on 1/8 of O&M on line 1

(c) Reflects a decrease of (\$7,041) for fuel related updates, (\$27,929) to remove costs recovered through the DSM/EE rider, \$5,390 related to new depreciation rates, (\$2,938) related to end of life nuclear reserves, (\$14,713) to remove 2014 storms from rate base and (\$1,031) related to removal of other previously deferred amounts, \$37,190 for the addition of deferred coal ash costs to rate base, \$1,071 for addition of the deferred AMI balance to rate base, \$3,082 for addition of deferred rate case costs to rate base, \$1,005 for addition of deferred customer connect costs to rate base, and \$1,101 for addition of deferred grid costs to rate base.

Bateman
Rebuttal
Exhibit 1
Page 4d